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STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA
HQ USAF FOR XXXX
DA WASHDC FOR SASA
JOINT STAFF WASHDC FOR PA
CDR USCENTCOM MACDILL AFB FL FOR POLAD/USIA ADVISOR
COMSOCEUR VAIHINGEN GE FOR PAO/POLAD
COMSIXTHFLT FOR 019

JERUSALEM ALSO ICD
LONDON ALSO FOR HKANONA AND POL
PARIS ALSO FOR POL
ROME FOR MFO

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E.O. 12958: N/A
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SUBJECT: SPECIAL ISRAEL MEDIA REACTION

SUBJECTS COVERED IN THIS REPORT:

Secretary Rice to Israel, West Bank, May 3-5, 2008

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Key stories in the media:

All media led with various aspects of the police probe into Prime

Minister Ehud Olmert's dealings. The Jerusalem Post quoted senior government officials as saying on Sunday after Secretary Rice held talks with both Israeli and Palestinian leaders that it is unlikely that there will be any progress in Israeli-Palestinian talks until the political uncertainty created by the investigation is cleared up. Ha'aretz quoted sources involved in the probe, the details of which cannot be published due to a gag order, as saying yesterday that it would be clear within a few days whether or not Olmert would be indicted. All media reported that Olmert told the cabinet yesterday that he would not let the investigation, which he said has sparked malicious rumors, prevent him from doing his job. Yediot Aharonot reported that PM Olmert's bureau chief Shula Zaken, who is allegedly involved in the same affairs as Olmert, refuses to cooperate with her police interrogators. Ha'aretz reported that Olmert used his bureau to promote the artistic career of his wife Aliza.

Ha'aretz quoted Foreign Minister Livni as saying yesterday that Israel has "no hidden agenda" regarding West Bank settlements, after Secretary Rice called Israel's policy in the area "problematic."

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The daily quoted Livni as saying that the settlements would not pose an obstacle to the implementation of the road map peace plan or to Palestinian aspirations for a state, saying that the 2005 disengagement from Gaza demonstrated that Israel would stick to its obligations. After meeting with Palestinian President Mahmoud Abbas in Ramallah earlier in the day, Rice said a peace agreement between Israel and the Palestinians was still possible by the end of 2008. Abbas praised the United States' commitment to the peace process, despite his very vocal disappointment following his recent trip to Washington. Ha'aretz reported that earlier yesterday, Rice met Defense Minister Ehud Barak to discuss removing West Bank roadblocks. Yediot Aharonot reported that she thanked Barak for the measures that Israel has taken but emphasized that Israel needs to do more. Yediot Aharonot also quoted Secretary Rice as saying that the latest police investigation of Olmert is an internal matter for Israel.

Ha'aretz quoted Egyptian President Hosni Mubarak as saying yesterday that Egypt will send intelligence chief Omar Suleiman to Israel soon to push talks on the Gaza cease-fire. Yediot reported that Israel has clarified to Egypt that the cessation of terrorist passage through Sinai is a condition for a cease-fire.

Leading media reported that a Palestinian militant was killed yesterday during an Israel Air Force strike in southern Gaza. The media reported that a number of mortar shells and Qassam rockets were fired at IDF troops and the Sderot area. Ha'aretz reported that three soldiers were recently charged at the Jaffa Military Court with assaulting, abusing, and beating a Palestinian civilian southwest of Jenin in January.

Leading media reported that yesterday border policemen demolished the Hazon David outpost near Hebron -- only a synagogue was there -- and that settlers took down two caravans at Yatir South in the southern Hebron hills. The Jerusalem Post reported that the Yatir South residents plan to rebuild the outpost.

Ha'aretz and The Jerusalem Post quoted the British Sunday Times as saying that Sir John Scarlett, the head of the British Intelligence Agency MI6, is expected to visit Israel for talks with his Israeli counterpart, Mossad chief Meir Dagan. In a bid to step up what Israeli officials call "strategic dialogue," Dagan is expected to brief Scarlett on Israel's latest information on the Iranian nuclear program. Jerusalem sources told the British weekly that Israel believes that Iran's nuclear capacity is more advanced than Western intelligence estimates indicate. Ha'aretz cited the hope of Mossad officials that the unveiling of the new material will persuade the U.S. to amend its assessment that Iran halted its nuclear weapons development program in 2003.

The Jerusalem Post reported that today a panel of seven High Court justices is due to hear petitions calling for the nullification of the most recent provisional law barring Palestinian men aged 18-35 and women aged 18-25 who marry Israelis from living in Israel.

Leading media quoted the chairman of the Social Justice party,

tycoon Arkady Gaidamak, as saying yesterday he would be pleased to be the minister of diaspora affairs in the Olmert government. The Jerusalem Post quoted opposition members as saying yesterday that in light of PM Olmert's latest investigation and the split of coalition member Gil Pensioners Party, the government's days are numbered.

Ha'aretz and other media reported that Knesset Member Abraham Hirschson, who was finance minister in 2006 and 2007, will be indicted on charges of embezzlement, aggravated bribery, corporate breach of trust, money laundering and falsifying corporate documents. Hirschson is suspected of stealing 2.5 million shekels (around \$725,000 at today's rate) between 1998 and 2005.

Ha'aretz reported that Sephardic Chief Rabbi Shlomo Amar, acting in his capacity as president of the Supreme Rabbinical Court, will attempt to revoke a ruling from last week that invalidated thousands of conversions carried out in Israel over the past few years. The Jerusalem Post reported that for the first time in Israel's history, the state is funding the building of synagogues that will serve non-Orthodox congregations.

Media reported that Texas Pacific Group (TPG), a private equity firm, is buying 25% of the coffee subsidiary of the Israeli food company Strauss for \$288 million. The deal values Strauss's global coffee enterprise at \$1 billion. Strauss has invested a total of \$400 million in its coffee subsidiary, and it is now the world's seventh largest.

Secretary Rice to Israel, West Bank, May 3-5, 2008:

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Summary:

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote in the independent, left-leaning Ha'aretz: "The new police investigation against Prime Minister Ehud Olmert is expected to have serious implications on the developments in the diplomatic-security arena, and mainly on the Egyptian effort to achieve a cease-fire in the Gaza Strip."

The conservative, independent Jerusalem Post editorialized: "Rice now calls on Israel and the Palestinians to agree 'once and for all' on final borders. Amen.... It is long overdue for the government of Ehud Olmert to explain to the world -- and us -- precisely where it stands, and to seek to galvanize support and understanding for Israel's positions."

Senior op-ed writer Akiva Eldar commented in Ha'aretz: "If ... Deputy Prime Minister [Tzipi Livni] bows her head once more, she will become just another small politician. This time, her colleagues in Kadima and her partners in Labor are not entitled to leave her on her own."

Liberal columnist Kobi Niv wrote in the popular, pluralist Maariv: "Let's admit that at this time not only has the Zionist solution, as a shield against a Holocaust of the Jews, not succeeded, but that it has been dealt a resounding blow, despite all the boasting by chiefs of staff at Auschwitz."

Contributor Gerald M. Steinberg, Executive Director of NGO Monitor and chairman of the Political Studies Department of Bar-Ilan University, wrote in The Jerusalem Post: "Israel's major accomplishment in 60 years of independence is surviving -- staying on the map as a sovereign state, with equal status among the nations of the world."

Block Quotes:

1I. "Rumblings of Dissatisfaction"

Military correspondent Amos Harel and Palestinian affairs correspondent Avi Issacharoff wrote in the independent, left-leaning Ha'aretz (5/5): "The new police investigation against Prime Minister Ehud Olmert is expected to have serious implications on the developments in the diplomatic-security arena, and mainly on the Egyptian effort to achieve a cease-fire in the Gaza Strip. If aspects of the criminal investigation come to dominate Israeli political life -- as they seem to be at this stage -- it will be difficult for Israel to advance on the Palestinian track, especially in matters that may require tough concessions.... It is also possible that Olmert's image in the Arab world, of a survivor, has led them to conclude that they must continue the talks. But for the most part, it seems they understood that if the talks cease, only Hamas would benefit. Hamas, however, also has something to lose. Most of the senior leadership in Gaza is keen to secure a temporary cease-fire, a tahdiya. If they learn that Israel is delaying accepting the Egyptian initiative, they may renew, or even step up Hamas's role in attacks against Israel. If so, the temptation for the group is great to carry out a showcase terrorist attack that would disrupt the 60th Independence Day celebrations. Yesterday Hamas fired its first -- verbal -- warning. First, some of its spokesmen threatened that the group would embark on an 'unprecedented escalation' if Israel does not quickly respond favorably to the proposed tahdiya. Several hours later, a heavy barrage of Qassam rockets was fired at Sderot -- offering a real sample of what the group had in mind when it mentioned escalation."

II. "'Once and for All'"

The conservative, independent Jerusalem Post editorialized (5/4): "The Palestinian leadership, [Salam] Fayyad included -- and reflexively supported by the international community -- has made an obsession of complaining about the number of West Bank checkpoints Israel has yet to remove, with hardly a word of appreciation for those barriers that are now gone and whose absence could at any moment allow a terrorist infiltration. The sooner the PA implements its security obligations under the road map, the sooner it disarms gunmen and terrorists, the quicker more barriers can be lifted.... While it is too bad that Rice bundles the entire Jewish presence over the Green Line -- Jerusalem, Ma'aleh Adumim, Ariel, Gush Etzion, and the Jordan Valley -- under one rubric, she does have a point about clarity. Jewish claims to Judea, Samaria [i.e. the West Bank], and Jerusalem are profound and strong. And yet, most Israelis are prepared to see the creation of a Palestinian state in the heartland of our patrimony in return for an authentic peace. Rice now calls on Israel and the Palestinians to agree 'once and for all' on final borders. Amen. It has long been clear what the Palestinians, via Abbas, Fayyad, and former PA prime minister Ahmed Qurei, are demanding: an Israeli withdrawal to the 1949 Armistice Lines, the division of Jerusalem and the 'right of return' for Palestinian refugees. These positions are completely unacceptable to the overwhelming majority of Israelis. And yet the Palestinians have done a fine job of articulating their grievances and negotiating goals. It is long overdue for the government of Ehud Olmert to explain to the world -- and us -- precisely where it stands, and to seek to galvanize support and understanding for Israel's positions."

III. "It's Time for Livni"

Senior op-ed writer Akiva Eldar commented in Ha'aretz (5/5): "According to all surveys (even before the newest investigation broke), early elections would allow Benjamin Netanyahu to set up a [right-wing] coalition.... But besides the possibilities of allowing a prime minister under police warning -- a PM who has lost the public's trust -- to hold on to his seat, or go to early elections that will bury the fragile negotiations with the Palestinians, there is another option: Upon the dissolution of the government, the President could assign Deputy Prime Minister and Foreign Minister Tzipi Livni the task of forming a new government. Livni has made a name for herself as a clean and responsible politician. She is committed to the things she said last July at a Jerusalem conference -- that every day that passes delays the two-state solution and endangers the existence of Israel as a Jewish democracy. Once, after the release of the Winograd Commission's interim report, Livni rescinded her demand that Olmert step down and wasted a significant part of her reputation. If the Deputy Prime Minister bows her head

once more, she will become just another small politician. This time, her colleagues in Kadima and her partners in Labor are not entitled to leave her on her own."

IV. "Is Force the Solution?"

Liberal columnist Kobi Niv wrote in the popular, pluralist Maariv (5/5): "For over 60 years Zionist leaders, from kindergarten teachers to IDF chiefs of staff in the 'Marches of the Living' [in the extermination camps of Auschwitz and Birkenau] have told us that the only way to prevent the recurrence of the Holocaust is force.... People may reach ... the opposite conclusion. For instance, some think that the lesson of the Jewish Holocaust is that the plagues of racism and hatred of foreigners must be fought against and eradicated. If those had not existed, the Germans and their Christian brothers throughout Europe would not have risen to murder Jews, Gypsies, and homosexuals.... Let's admit that at this time not only has the Zionist solution, as a shield against a Holocaust of the Jews, not succeeded, but that it has been dealt a resounding blow, despite all the boasting by chiefs of staff at Auschwitz."

IV. "60 Years on the Map"

Contributor Gerald M. Steinberg, Executive Director of NGO Monitor and chairman of the Political Studies Department of Bar-Ilan University, wrote in The Jerusalem Post (5/5): "Israel's major accomplishment in 60 years of independence is surviving -- staying on the map as a sovereign state, with equal status among the nations of the world. The many economic and cultural achievements have helped to contribute to this survival, while the desire for peace with our neighbors remains unfulfilled, but the triumph is that we are here.... For the Arab and Muslim 'rejectionists' (including the Iranians, who are claiming leadership of this group), the idea of Jewish sovereignty in the 'Muslim Middle East' was and remains unacceptable.... The delegitimization and demonization of Zionism, and the singling out of Israel for special treatment, while erasing the context of Palestinian terrorism and other violent attacks, have become the modern form of anti-Semitism.... In the face of this intense and ongoing hostility, Israel's ability not only to survive, but to thrive, is the main story marking 60 years of independence. With six million Jewish citizens of Israel, ten times the population in 1948, the Hebrew language has been reinvigorated, and the Jewish culture has been preserved. At the same time, progress towards the acceptance of Jewish sovereignty equality among the nations of the world is painfully slow, and the struggle has been and will continue to be exhausting. But there are no better choices -- there are no alternatives for Israel and the Jewish people."

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